

Message Text

UNCLASSIFIED

PAGE 01 JAKART 11486 270133Z

64

ACTION TRSE-00

INFO OCT-01 EA-11 ISO-00 EB-11 L-03 DRC-01 RSC-01 /028 W

----- 072743

R 260940Z SEP 73

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 8919

UNCLAS JAKARTA 11486

PASS TREASURY FOR GORDON AND PATRICK

E.O. 11652: N/A

TAGS: EFIN, ID

SUBJECT: INCOME TAX TREATY

REF: STATE 190419

SUMMARY. HAVE OBTAINED INITIAL INDONESIAN REACTION TO DRAFT OF TAX CONVENTION AS PREPARED BY TREASURY FROM MATERIAL DEVELOPED IN SEPTEMBER MEETING OF NEGOTIATING TEAMS, AND THEIR REACTION TO REFTEL. WOULD APPRECIATE FURTHER COMMENTS FROM TREASURY DEPARTMENT AS OUTLINED BELOW. END SUMMARY.

1. IMMEDIATE INDONESIAN REACTION TO PROPOSALS IN REFTEL: CONCUR, WITH RESERVATIONS CONCERNING LANGUAGE ON EXCHANGE OF INFORMATION. INDONESIANS NOTE THAT OBLIGATION TO REPORT TAX LAW CHANGES APPEARS TO BE RATHER MORE LOOSELY STATED IN ARTICLES 26(6) AND (7) THAN IN ARTICLE 2(2). AGREEING THAT LAST SENTENCE OF ARTICLE 2 MAY BE DELETED, THEY WOULD LIKE TO TIGHTEN PARAGRAPHS (6) AND (7) OF ARTICLE 26 AS FOR EXAMPLE BY DELETING THE EXPRESSION "AT LEAST ONCE YEAR" FROM BOTH; THEN THE WORDS "IN THE ENSUING CALENDAR YEAR" ARE INSERTED AFTER "TRANSMITTING," IN BOTH, AND "ADOPTED IN THE COURSE OF ANY GIVEN CALENDAR YEAR" ENDS BOTH PARAGRAPHS.

2. IN MEETING YESTERDAY (SEPT 25) BETWEEN PRINCIPAL INDONESIAN NEGOTIATOR AND EMBOFF, WE PICKED UP TWO MORE APPARENT ERRORS: PRESIDENT OF INDONESIA IS REFERRED TO ON PAGE PRECEDING TABLE OF CONTENTS. BELIEVE EXPRESSION "GOVERNMENT OF INDONESIA" WAS UNCLASSIFIED

UNCLASSIFIED

PAGE 02 JAKART 11486 270133Z

AGREED TO IN MEETINGS. ALSO NOTED THAT ON PAGE 2 IN ARTICLE 2(B)

THE SPELLING OF PADJAK SHOULD BE CHANGED TO THE NEW OFFICIAL
INDONESIAN ORTHOGRAPHY PAJAK.

3. INDONESIANS ASK THAT CONSIDERATION BE GIVEN FOLLOWING
CHANGES: IN ARTICLE 2(1)(B), LET INDONESIAN NAMES OF TAXES
BE GIVEN FIRST, FOLLOWED BY ENGLISH TRANSLATION IN PARENTHESES.
CHANGE TRANSLATION OF PAJAK PERSEROAN TO (COMPANY TAX) FROM
(CORPORATION TAX) FOR CONSISTENCY WITH ESTABLISHED GOI
ENGLISH TERMINOLOGY. THEY WOULD LIKE TO MAKE THE ENGLISH
TEXT ALONE THE GOVERNING ONE.

4. ADDITIONAL QUESTIONS WHICH INDONESIANS INTENDED TO ASK DURING
MEETING, BUT WHICH WERE OVERLOOKED:

A. WITH REGARD TO ARTICLE 5(2), WHAT IS SIGNIFICANCE OF THE
EXPRESSION "PERSONAL SERVICES," WHICH ALSO APPEARS PAIRED OFF
WITH "LABOR" IN ARTICLE 7(6), 15(L) AND (2), AND 16(1) AND (3)?
WHAT TYPE OF SERVICES MIGHT BE PERFORMED THAT WOULD NOT BE
CONSIDERED PERSONAL? AND HOW WOULD THE SENSE OF 5(2) BE CHANGED
BY OMITTING THAT WORD?

B. WHAT IS THE REASON FOR DELETING FROM THE DRAFT OF AUGUST
30, 1972, ITS ARTICLE 26(5) ON THE WITHHOLDING OF INFORMATION FROM
EACH OTHER BY THE CONTRACTING PARTIES? INDONESIANS ARE NOT
OBJECTING TO THE DELETION BUT THEY RECALL IT WAS DONE AT
TREASURY'S INITIATIVE AND WONDER WHY.

5. PLEASE INFORM US WHETHER DRAFT CAN BE INITIALLED IN PRESENT
FORMAL FRAMEWORK. INDONESIANS UNDER THE IMPRESSION IT MUST BE
PREPARED IN THE TWO SEPARATE FINAL VERSIONS THAT TRANSPOSE THE
EXPRESSIONS "GOVERNMENT OF INDONESIA" AND GOVERNMENT OF THE UNITED
STATES" WHEREVER THEY APPEAR TOGETHER BEFORE IT CAN BE INITIALLED--
A SEEMINGLY CUMBERSOME PROCEDURE.
GALBRAITH

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGREEMENTS, INCOME TAXES
Control Number: n/a
Copy: SINGLE
Draft Date: 26 SEP 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973JAKART11486
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: JAKARTA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730910/aaaaagvh.tel
Line Count: 95
Locator: TEXT ON-LINE
Office: ACTION TRSE
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: STATE 190419
Review Action: RELEASED, APPROVED
Review Authority: kelleyw0
Review Comment: n/a
Review Content Flags:
Review Date: 05 OCT 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <05-Oct-2001 by maustmc>; APPROVED <05-Feb-2002 by kelleyw0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: INCOME TAX TREATY
TAGS: EFIN, ID, US
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005